GOVERNMENT OF INDIA
LABOUR
LOK SABHA

STARRED QUESTION NO:428
ANSWERED ON:21.04.2003
REPRESENTATION TO WORKERS ON BOARD OF DIRECTORS
BASUDEB ACHARIA;LAXMINARAYAN PANDEY

Will the Minister of LABOUR be pleased to state:

(a) whether Government propose to give workers 25% representation in the Board of Directors in the Company;

(b) if so, the details thereof and steps taken so far in this regard;

(c) whether many industrial organisations have opposed this move;

(d) if so, the details thereof; and

(e) the reaction of the Government thereto?

Answer

MINISTER OF LABOUR (SHRI SAHIB SINGH VERMA)

(a) to (e): A statement is laid on the Table of the House.

STATEMENT REFERRED TO LOK SABHA STARRED QUESTION NO.428 DUE FOR REPLY ON 21.04.2003 BY SHRI BAS ACHARIA AND DR. LAXMINARAYAN PANDEYA, M.P. REGARDING REPRESENTATION TO WORKERS ON BOAR DIRECTORS

(a) & (b): The Government has not taken any decision so far to give workers 25% representation on the Board of Directors in the company.

(c) & (d): Employers` Federation of India, Karnataka Employers` Association, AllIndia Organisation of Employers and PHD Chamber of Commerce and industry among others have expressed the view that the representation of workers on the Board of Directors would be in-appropriate. Some of the main grounds on which they have opposed the representation of workers on the Board of Directors are as follows:

(i) An arrangement for mutual consultation for enhancing productivity does not require representation of workers on the Board of Management;

(ii) Participation on the Board requires high level of expertise and skill;

(iii) The code of corporate governance, as enunciated in the Listing Agreements of Stock Exchanges, requires that at least 50% of the Directors on the Board ought to be independent directors if the company has an Executive Chairman.In all other cases, the number of independent directors should be at least one-third of the total strength of the Board. If the proposed legislation is enacted, then in that event financial stakeholders may not have adequate representation on the Board. This will be not only iniquitous and that will also not represent the rights of the share-holders who are the investors and as such any such amendment as proposed will be iniquitous;

(iv) The TISCO model which has worked for last 50 years excludes decision-making process as well as matters of confidentiality with regard to business decisions.

(v) Pending a decision on the recommendations of Second National Commission on Labour, an isolated decision on the issue may not be correct and proper; and

(vi) The measure is likely to affect investment and employment generation.

(vii) It would be too early to implement the participative scheme at Board level without creating an enabling environment.

(viii) There is a stress to bring professionals at the Board level for promoting excellence, and compulsory participation of employees at the Board level irrespective of their qualification and level of understanding would be detrimental to the interest of the company, its employees and the shareholders. No compulsory participation at the Board level should be imposed.

(ix) Keeping in view the role and responsibility of a Director under the Companies Act, the identity of the proposed Board of Management should be kept distinctly separate from the statutory Board of Directors, under the Companies Act.

(e): A view in the matter is yet to be taken.